



November 7, 2005

Robert E. Feldman
Executive Secretary
Attn: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, DC 20429

Re: Part 330—Deposit Insurance Coverage; Stored Value Cards and Other Nontraditional Access Mechanisms

Dear Mr. Feldman:

The Conference of State Bank Supervisors (CSBS)¹ appreciates the opportunity to comment on the Federal Deposit Insurance Corporation's (FDIC) proposed rule regarding deposit insurance coverage for stored value cards and other nontraditional access mechanisms. CSBS supports the FDIC proposal to the extent it provides deposit insurance for payroll cards that are distributed by employers to employees through an insured financial institution. We also support insurance coverage for the delivery of welfare and medical benefits. While we believe this product provides an important business service opportunity for insured financial institutions, this product also provides an entry point into the banking system for lower income consumers. The increased use of this product as a vehicle for out-reach to underserved markets needs clarification of the status of deposit insurance. To this end, CSBS supports a requirement that all payroll cards use the insured method. We believe this will limit the need for extensive disclosures while ensuring consumer protection.

CSBS's comments focus on payroll cards and cards used to deliver welfare or medical benefits. Before insurance coverage is provided on deposits related to gift card products, CSBS suggests that state laws governing money transmitters and gift cards should be taken into consideration.

CSBS does not favor the FDIC's proposal to simply treat all funds underlying stored value cards and other nontraditional access mechanisms as deposits provided that the funds have been placed in an insured depository institution. This proposal appears to create a scenario whereby non-bank issuers of stored value cards would reap the benefit of FDIC insurance without the obligation to support the FDIC fund and without the requirements of being subject to FDIC oversight and examination. Creating such a situation is inequitable to the banks and thrifts that fund the FDIC insurance.

Thank you for your consideration, and we invite you to call on us if we can provide additional information on this proposal.

Best personal regards,

Neil Milner
President and CEO

¹ CSBS is the national organization of state officials responsible for chartering, regulating and supervising the nation's 6,250 state chartered commercial and savings banks and over 400 state-licensed branches and agencies of foreign banks.

CONFERENCE OF STATE BANK SUPERVISORS

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